BRITISH COLUMBIA

Public Service Pension Plan

2007 ANNUAL REPORT

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Public Service Pension Plan

2007 ANNUAL REPORT

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Table of Contents

Messages 1

Message from the Trustees 1

Message from the Chief Executive Officer—Pension Corporation 3

Message from the Chief Investment Officer—bcIMC 4

Partners, Trustees and Agents 6

Member Services and Communications 7

Performance Measures and Targets 7

Plan Participants 9

Members 9

Employers 11

Contributions 13

Plan Benefits 15

Basic Pension (Guaranteed) 15

Indexing (Non-guaranteed) 15

Group Benefits (Non-pension) 15

Termination and Refund Benefits 19

Transferring Service 20

Purchase of Additional Service 20

Investments 22

Market Review 22

Approved Investment Asset Mix 23

Investment Portfolio 24

Investment Performance 29

Financial Health 30

Audit Committee 31

Five-year Financial Summary 32

Financial Statements 33

Message from the Trustees

Welcome to the Public Service Pension Plan annual report for the fiscal year ending March 31, 2007.

This report gives us an opportunity to tell you about the improvements and changes that took place over the past year, and to report on the financial results of the plan. The plan's Basic Account generated a 12.1% return for the plan in 2006-07, exceeding the benchmark return of 10.2%. The plan's total assets now exceed $17 billion. Benefit administration costs as a percentage of net assets decreased to 0.05% from 0.06% the year before. Also dropping, investment management fees fell to 0.18% from 0.19% the previous year.

British Columbia's Public Service Pension Plan is one of the largest defined benefit plans in Canada. There are over 52,000 active members making contributions to the plan and almost 32,000 retired members collecting their pensions. As trustees, we are responsible for managing the plan's $17.7 billion in assets. We develop policies and make decisions knowing that, for most of our members, their Public Service pension is the most important asset they have to ensure a comfortable retirement.

Employers are also directly impacted by our decisions. We strive to find the balance that recognizes the significant contributions of both groups, while ensuring the long-term health of the plan.

As trustees, we are committed to bringing high standards of service delivery to our members. This includes not just pension payments and statements, but information and assistance for those retired or planning their retirement. Surveys of our members demonstrate a continued high rate of satisfaction with the plan's service.

Online service has been greatly expanded in recent years. For those planning their retirement, the online estimator available through My Account allows access to personal information about pension and future benefits.

One way members may be able to increase their future pension benefit is through purchasing service. Purchasing service means paying for periods of employment that have not been counted as service with the plan. While the window to purchase service worked before April 1, 2002 closed March 31, 2007, there is still the chance to purchase service for time worked after April 1, 2002. The deadline to apply to purchase service that occurred after April 1, 2002 is five years from the end of the period you are applying to purchase, or before your employment ends (whichever is earlier).

If you became an active plan member on or after April 1, 2002, you may still be able to reinstate former service if you have returned to the same employer in the Public Service Pension Plan you were with prior to taking the refund. However, you must apply by the deadline, which is within five years from the time contributions to the plan recommenced or before your employment ends (whichever is earlier).

Most of this annual report is focused on the financial health of the plan. Our commitment is to ensure that the pension plan is well managed. One of the ways your pension contributions are managed is with a long-term approach to fund management and

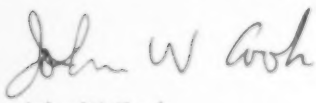
stewardship. Steady and regular growth has helped compensate for poor investment returns during fiscal years 2001 to 2003.

The plan's well diversified portfolio of cash, equities and other holdings is administered by the British Columbia Investment Management Corporation (bcIMC). The bcIMC was an early signatory to the United Nations-led *Principles for Responsible Investment*. This historic document establishes a framework for investor action on environmental, social and governance issues.

In 2006, the board of trustees adopted a mission statement that reflects our commitment to these ideas and the important role they have in guiding the plan's future.

Mission Statement

"The Public Service Pension Board of Trustees provides sound plan governance and prudent oversight of the management of the plan assets and administration so that current and retired plan members are assured a secure pension."



John W. Cook
Chair

Public Service Pension Board of Trustees
As at March 31, 2007

Trustee	Appointing Body	Nominating Body	Employer
John W. Cook, Chair			
Ed Bodner	BC Government Retired Employees' Association		Retired
Joyce Burns	B.C. Government and Service Employees' Union (BCGEU)	Unions other than BCGEU	BC Ferry Services Inc.
Bruce Clow	Provincial Government		Provincial Government
David Day	Provincial Government	BC Excluded Employees' Association	BC Excluded Employees' Association
Alana Gallagher	Provincial Government		BC Ferry Services Inc.
Andy Jani	Provincial Government		Ministry of Energy, Mines and Petroleum Resources
Jodi Jensen	BCGEU	Unions Other than BCGEU	Professional Employees Association
Bruce Kennedy	Provincial Government		Public Sector Employers' Council
Paul Martin	BCGEU		BCGEU
Laurie McAmmond	Provincial Government	Crown Corporations Employers' Association	BC Assessment Authority
Ron McEachern	Provincial Government		Retired
Sandi McLean	BCGEU		Ministry of Finance
David Vipond	BCGEU		BCGEU
Diane Wood	BCGEU		Retired

Message from the Chief Executive Officer—Pension Corporation

The BC Pension Corporation is one of Canada's largest public sector pension administrators, and is recognized around the province and beyond for the substantial strides that we have made in improving service, reducing costs and satisfying clients.

As an agent of the Public Service Pension Board of Trustees, we perform key administrative duties such as enrolling members, collecting and recording members' and employers' contributions, and calculating, processing and paying pension benefits. We also provide policy, financial and communications support to the Public Service Pension Board of Trustees.

This year, we met, and in some cases, exceeded service standards for almost all key transactions while responding to significant increases in volume. As well, we enjoyed cost savings of $393,000 for the Public Service Pension Plan this year. In addition, current benchmarking results confirmed the Pension Corporation's costs to administer the plan are competitive with Canadian and international peers.

In 2006/07, Public Service Pension Plan members continued to show high satisfaction ratings for the corporation's products and services. The corporation measured the percentage of members who were "very satisfied" or "satisfied" and found:

- 87% active members
- 91% recent retirees
- 87% longer-term retirees
- 94% employers

I would like to recognize employees, management and executives of the Pension Corporation. Nothing would have been possible without this amazing bunch of people. The corporation has worked hard to serve you by ensuring you receive great value and service you trust by people who care. We look forward to serving you in the years ahead.

I would also like to thank the Public Service Pension Board of Trustees for the opportunity to work with you. It is a pleasure to serve you. With your direction and encouragement, we will continue our journey of innovation and continuous improvement.

Sincerely,

Gail Stephens
Chief Executive Officer
BC Pension Corporation

Message from the CEO/Chief Investment Officer—bcIMC

Looking back, I consider 2006–2007 to be one of the best years for bcIMC and the Public Service Pension Plan. We generated a 12.1% return for the Public Service Pension Plan, beating our benchmark return by 1.9 percentage points. In dollar terms, this means that our investment decisions added $342 million in additional returns for the Basic and Inflation Accounts, relative to their benchmarks and net of all costs.

bcIMC's operational highlights include:

- Most of our asset classes produced positive returns, and bcIMC's pooled funds generally met or exceeded benchmark returns.
- Occupancy rates in our real estate portfolio were at their highest in six years.
- It was a record year for our mortgage group, with over $1.1 billion committed to new loans.
- There was a significant increase in private placements deal flow and we increased our participation in infrastructure funds.
- New products and services were added, including the Universe Bond Fund and the U.S. Social Index Fund.
- We improved the systems that support our investment processes and daily operations.

We are committed to achieving our clients' return expectations, while at the same time increasing our client service efforts and commitment to responsible investing.

This commitment and energy to change starts at the top, and is reflected in our corporate strategy. Our vision states that we will be at the forefront of the industry and exceed the performance expectations of our clients. Our mission statement confirms that we recognize we also have responsibility to the broader society through our governance, social, and environmental-related activities.

Looking forward, it may be difficult to achieve the return targets in a relatively benign economic environment, with large pools of capital chasing investment opportunities. In response, some investors are taking on more risk than may be prudent. We are sticking to our discipline and our clients' mandates and will not take on unnecessary risk. bcIMC is committed to risk management and has processes in place to identify and address operational, credit, legal and environmental risks, as well as to manage market risks our clients choose to take as part of their investment strategies.

To meet our clients' expectations, we must be able to respond to opportunities and challenges within the capital markets. Investments are more global than ever and there is an unprecedented amount of capital chasing real and financial assets. In this environment, we must continue to expand our global business network, build our sector and regional expertise, and be nimble in our responses to market opportunities.

The needs and expectations of bcIMC's clients are also changing. Many have more complex mandates and require more sophisticated investment and risk management services. With the expected low-return environment, we anticipate our clients will look at opportunities with longer investment horizons, steady cash flows, and that will provide some insulation from the effects of inflation.

Responsible investing is a corporate-wide priority and signing the United Nations *Principles for Responsible Investment* as an asset manager strengthened this commitment. There is growing consensus that human activity is a significant contributor to climate change. The long-term solution is to reduce the levels of carbon dioxide and other greenhouse gases, requiring that all organizations and individuals alter their behaviour today to lessen their environmental footprint tomorrow.

bcIMC encourages companies to think of the long-term by reviewing their practices and developing strategies to reduce their environmental footprint. Our role also extends to investing in clean and environmentally-friendly technology that meets our clients' return requirements. We are progressing with our responsible property investing initiatives, and actively encourage our property managers to pursue environmental enhancements to our buildings. bcIMC has an active corporate governance program and pursues a wide range of activities, including proxy voting and engagement with companies on the benefits of addressing long-term environmental sustainability. We also provide input on public policy proposals, and advocate for change within the investment industry.

bcIMC looks forward to addressing these challenges and looks forward to helping the Public Service Pension Plan achieve its objectives in the coming year.

Doug Pearce
Chief Investment Officer/Chief Executive Officer
British Columbia Investment Management Corporation

Partners, Trustees and Agents

The Public Service Pension Plan is governed by representatives of both plan membe and plan employers. These representatives make up the board of trustees. This share management is called joint trusteeship. For more information on joint trusteeship, visit the plan website at **pspp.pensionsbc.ca**.

The **plan partners** are the provincial government and the B.C. Government and Service Employees' Union (BCGEU). These partners and other organizations representing plan employers and plan members are responsible for nominating and appointing the trustees.

The **Public Service Pension Board of Trustees** is responsible for the management of the pension plan, including asset investment and plan administration. The board of trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result contribution rate changes must be initiated by the partners. However, if the actuary determines that it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees. The corporation enrols members, colle contributions, processes benefits and issues pension payments.

The **British Columbia Investment Management Corporation** (**bcIMC**) is one of Canada's largest investment managers and administers more than $83 billion in ass As a global investor supported by industry-leading investment expertise, bcIMC offers fund management services for all major asset classes, including currency and infrastructure investments. bcIMC's clients include public sector pension plans, provincial government, public trusts, and insurance funds. bcIMC provides investment management services as an agent of the board of trustees.

Member Services and Communications

Communicating with plan members is a priority of the Public Service Pension Board of Trustees.

Communicating with plan members is a priority of the Public Service Pension Board of Trustees. Guidelines and standards are followed to ensure all plan information is easy to understand and easy to use. We continue to improve the effectiveness and quality of our member and employer communications by practicing plain language principles and focus-testing many of our products.

New and updated communications materials are regularly published, and new online products and services are continually being developed. The plan produces the *Guide for Plan Members*, the annual *Member's Benefit Statement*, forms, bulletins, retirement information packages, a series of pension fact sheets, and *AfterWork*, a newsletter for retired members published twice a year.

Each year the plan publishes three audience-specific products outlining the plan's financial status. These include the Annual Report, *Report to Members*, (a booklet distributed to all active members which summarizes key financial information and plan changes made within the past year), and *Report on the Plan* which is included in the winter issue of *AfterWork*.

In addition, our website provides excellent pension plan information and online estimators at **pspp.pensionsbc.ca**.

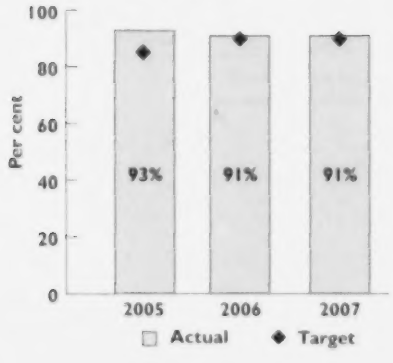
Performance Measures and Targets

April 1, 2006 to March 31, 2007

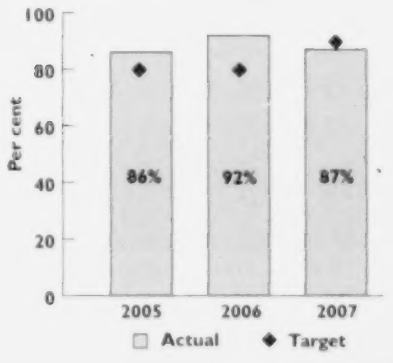
The Public Service Pension Plan is devoted to providing quality, cost-effective service to plan members. Our administrative agent, the Pension Corporation, made impressive gains in service improvements and efficiencies, including improving client response time. The length of time it takes to process members' purchase requests has been reduced, and the purchase of service process simplified for members. Surveys of plan members are regularly conducted to evaluate improvement. The surveys show that both active and retired members give the Pension Corporation a high satisfaction rating for service quality.

Satisfaction

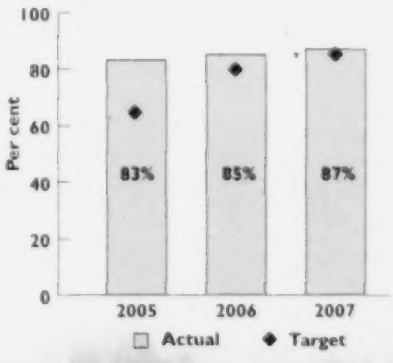
Recently Retired Members



Longer-term Retired Members



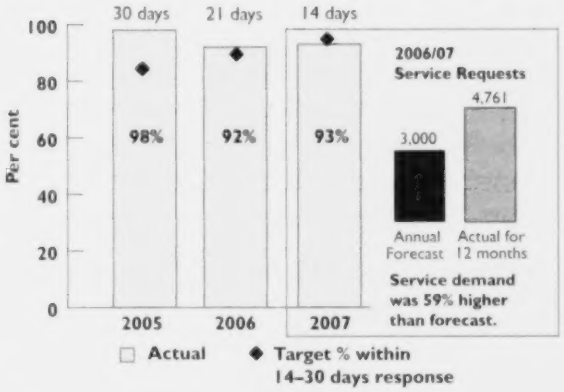
Active Members



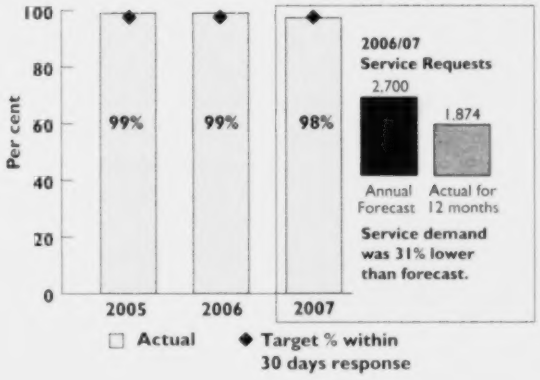
The board approves service standards for the plan and monitors benefit administration performance against those standards. Key standards measure satisfaction with services (see page 7), and the timeliness of response for key service requests.

As the following graphs indicate, the plan has significantly improved service response over the past three years, while also handling substantial increases in service demand.

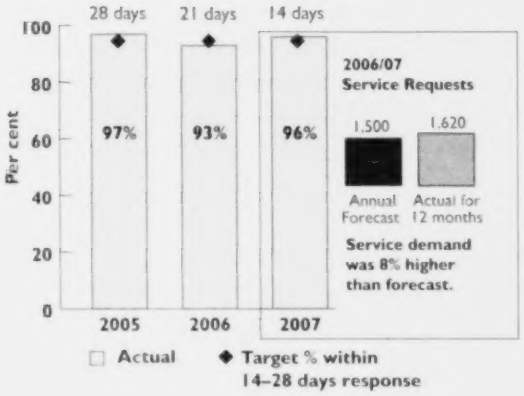
Final Pension Options on Time



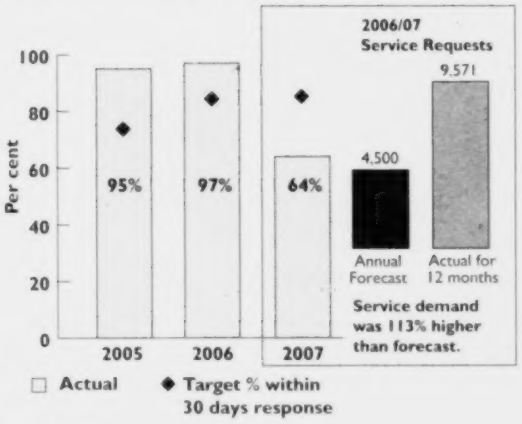
First Pension Payment on Time



Termination Options on Time



Purchase Quotes on Time



Plan Participants

Members

Membership in the Public Service Pension Plan is open to all eligible employees of the provincial public service or other employers approved by the Public Service Pension Board of Trustees. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

There are three categories of members in the Public Service Pension Plan:

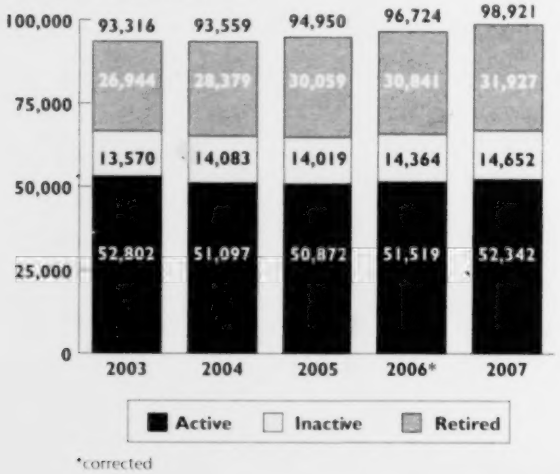
- **Active**—those currently contributing, or on a leave of absence, or receiving benefits from an approved salary continuance plan.
- **Inactive**—those who have terminated employment but whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.
- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of active plan members in the Public Service Pension Plan increased by 1.6 % in 2007. Today there are 52,342 active members and 31,927 retired members.

Number of Members
As at March 31

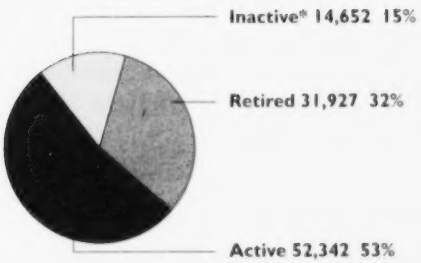
Year	Active	Inactive	Retired	Total
2007	**52,342**	**14,652**	**31,927**	**98,921**
2006*	51,519	14,364	30,841	96,724
2005	50,872	14,019	30,059	94,950
2004	51,097	14,083	28,379	93,559
2003	52,802	13,570	26,944	93,316

Number of Members



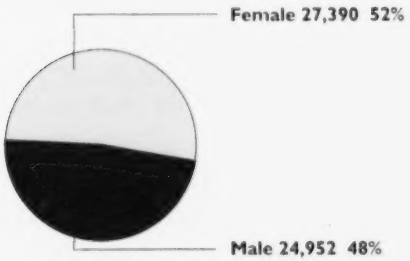
*corrected

Membership Profile

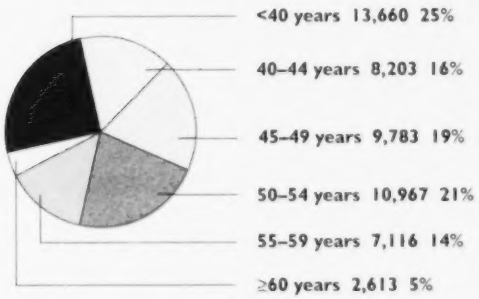


* Members no longer employed, but with money in the plan.

Active Member Profile

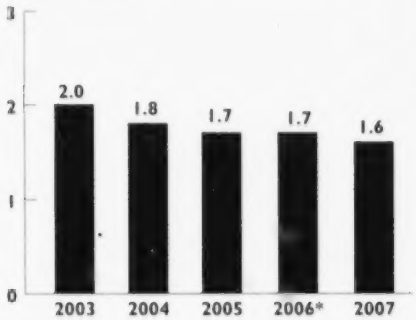


Age Profile of Active Members



Ratio of Active Members to Retired Members

As at March 31



*corrected

Employers

As at March 31, 2007

Province of British Columbia

BLJC Workspace Solutions Inc.

British Columbia Assessment Authority

British Columbia Centre for Disease Control

British Columbia Excluded Employees' Association

British Columbia Ferry Services Inc.

BC Ferry and Marine Workers' Union

B.C. Government and Service Employees' Union

British Columbia Housing Management Commission

British Columbia Investment Management Corporation

British Columbia Institute of Technology

British Columbia Mental Health Society

BC Milk Marketing Board

BC Pavilion Corporation

British Columbia Pension Corporation

British Columbia Safety Authority

British Columbia Securities Commission

British Columbia Transit

British Columbia Treaty Commission

British Columbia Utilities Commission

Business Practices and Consumer Protection Authority

Canada/British Columbia Business Services Society

Canadian Office and Professional Employees' Union, Local 378

Canadian Road Builders Inc. (Lafrentz Division)

Coast Capital Savings Credit Union

Coast Mountain Bus Company

Cobra Electric (South Coast) Ltd.

Columbia Power Corporation

Community Living British Columbia

Deas Pacific Marine Inc.

EDS Advanced Solutions Inc.

Elections BC (Office of the Chief Electoral Officer)

Emergency Health Services Commission

Environmental Appeal Board

First People's Heritage, Language and Culture Council

Forensic Psychiatric Services Commission

Forest Practices Board

Fraser Health Authority

Fraser River Marine Transportation Ltd.

Freshwater Fisheries Society of BC

Greater Vancouver Transportation Authority

Health Research Foundation

Homeowner Protection Office

Industry Training Authority

Innovation and Science Council of British Columbia

Insurance Corporation of British Columbia

Interior Health Authority

Islands Trust Council

ISM Information Systems Management Canada Corporation

Justice Development Commission

Land and Water BC Inc.

Land Title and Survey Authority of British Columbia

Liquor Distribution Branch

Mainroad Pavement Marking Ltd.

Maximus BC Health Benefit Operations Inc.

Maximus BC Health Inc.

Northern Development Initiative Trust

Northern Health Authority

Oak Bay Lodge

Office of the Auditor General

Office of the Conflict of Interest Commissioner

Office of the Fire Commissioner

Office of the Freedom of Information and Privacy Commissioner

Office of the Ombudsman

Office of the Police Complaint Commissioner

Oil and Gas Commission

Okanagan Valley Tree Fruit Authority

Pacific Vehicle Testing Technologies Ltd.

Partnerships British Columbia Inc.

Professional Employees Association

Provincial Agricultural Land Commission

Provincial Health Services Authority

Public Sector Employers' Council

Royal British Columbia Museum

St. Paul's Hospital

Telus Sourcing Solutions Inc.

Tillicum and Veterans Care Society (Broadmead Lodge)

Tourism British Columbia

Union of Psychiatric Nurses

Vancouver Aboriginal Child & Family Services Society

Vancouver Coastal Health Authority

Vancouver Island Health Authority

VSA Highway Maintenance Ltd.

WaterBridge Equipment Ltd.

Western Pacific Marine Ltd.

Workers' Compensation Appeal Tribunal

Contributions

Both plan members and employers pay contributions to fund future pension benefits.

Members of the Public Service Pension Plan contribute to the plan through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits. Once a member terminates employment, retires, or reaches 35 years of pensionable service, they no longer contribute. The contribution rates in the table below are applied to pensionable salaries.

The March 31, 2005 actuarial report was received by the board in December 2005 and indicated the basic account has an unfunded liability of $767 million (2002—$546 million surplus). As a result, the actuary determined that an increase in contribution rates of 1.88% of salary each for plan members and employers was necessary in order for the plan to maintain its long-term financial soundness, and thus its ability to meet the pension promise made to plan members. The terms of the *Joint Trust Agreement* state the board must amend the plan rules if they receive an actuarial valuation report which concludes an increase in contribution rates is necessary. The *Joint Trust Agreement* also provides that plan members and employers will share any increase or decrease in contribution rates. Therefore the board decided that, effective April 1, 2006, plan member and employer contribution rates would each increase by 1.88% of salary.

Current contribution rates:

Member

- 7.63% of pensionable salary up to and including the YMPE*, and
- 9.13% of pensionable salary in excess of the YMPE*.

Employer

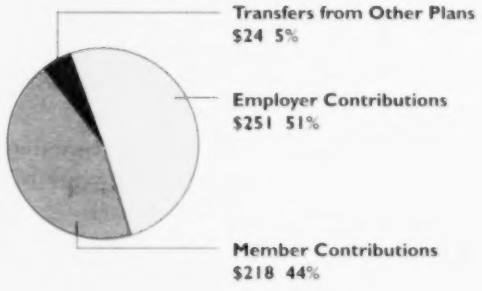
- 8.63%** of pensionable salary up to and including the YMPE,* and
- 10.13%** of pensionable salary for salary in excess of the YMPE*.

* Year's Maximum Pensionable Earnings (YMPE) is the earnings limit on which you make Canada Pension Plan (CPP) contributions. The 2006 YMPE was $42,100, and was increased to $43,700 in 2007.

** Except for certain limited groups (e.g., correctional centre employees, ambulance employees, provincial court judges, masters of the Supreme Court, and some deputy ministers and officers of the Legislature) where employers pay a higher rate to compensate for the additional cost of their benefits.

Contributions—Year Ended March 31

$ Millions



Contributions

Year ended March 31

$ Millions

Member	Employer	
218.4	251.0	2007
157.2	187.6	2006
148.0	191.7	2005
163.2	197.0	2004
147.5	190.3	2003
150.9	182.3	2002
141.0	126.9	2001
137.0	96.4	2000
142.2	193.6	1999
138.1	191.9	1998

Plan Benefits

Basic Pension— *Monthly pension that is paid by the pension plan for a member's lifetime. The pension may continue to another person after the member's death, depending on the form of pension the member chooses at retirement.*

Bridge Benefit— *A temporary pension paid to the member from retirement until age 65 or death, whichever comes first.*

Cost-of-living— *Increases to monthly pension amounts are based on the annual increase in the cost-of-living as measured by the Consumer Price Index. Inflation adjustments begin the first January after a member retires. This indexing is not guaranteed.*

Plan benefits are defined by the pension plan rules made under the authority of the Joint Trust Agreement.

Basic Pension (Guaranteed)

The basic pension benefit is defined, meaning the pension is based on how many pensionable years the member has accrued in the plan, the average of the best five years of salary (not necessarily the last five years), and age at retirement. The pension is not based on contributions to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that the pension is predictable. The plan provides entitlement to a pension benefit after two years of contributory service and after having reached a qualifying age. The plan also provides survivor and disability benefits.

At March 31, 2007, the plan provided pensions to 31,927 retired members, an increase of 3.5% from the previous year.

The basic pension is paid from the basic account of the plan.

Indexing (Non-guaranteed)

Indexing is a non-guaranteed cost-of-living supplement to the basic pension. It is paid only to the extent that there is sufficient money in the inflation adjustment account (IAA), which is funded by member and employer IAA contributions to the plan.

On January 1, 2006, retired members received a full Consumer Price Index (CPI) increase of 0.7% (2006: 3.4%). Inflation increases to the pension may be provided each year based on changes in the CPI (See Note 7b to the Financial Statements). Indexing, once granted, becomes guaranteed. The inflation account is in good financial health. The board monitors the plan's ability to continue to provide non-guaranteed indexing.

Group Benefits (Non-pension)

Group benefits (extended health, medical, and group life), are not guaranteed. They are subsidized by a limited portion of available annual employer contributions that would otherwise go to the IAA. The board monitors the plan's ability to continue to provide non-guaranteed group benefits.

Pensions 1998–2007

Year ended March 31

	Public Service			MLA*			$ Millions		
	New Pensions during Year	Pension Terminations	In Force at End of Year	New Pensions during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid	Inflation Supplements Paid	Total Pensions Paid
2007	**1,678**	**592**	**31,927**	**–**	**3**	**124**	**422.0**	**95.2**	**517.2**
2006	1,463	681	30,841	4	3	127	397.0	86.7	483.7
2005	2,255	575	30,059	3	–	126	370.2	80.8	451.0
2004	2,005	570	28,379	2	2	123	329.9	76.1	406.0
2003	2,865	536	26,944	–	3	123	294.3	71.1	365.4
2002	1,149	500	24,615	26	2	126	250.7	66.1	316.8
2001	1,264	454	23,966	1	1	102	234.4	61.1	295.5
2000	1,066	505	23,156	2	2	102	220.2	56.6	276.8
1999	981	447	22,595	1	2	102	211.3	55.6	266.9
1998	2,178	414	22,061	–	3	103	203.1	54.2	257.3

* for service prior to June 19, 1996

New Pensions—By Type

Year ended March 31

	Regular*	Death*	Disability†	Deferred	Total
2007	**1,280**	**22**	**108**	**268**	**1,678**
2006	1,054	48	86	275	1,463
2005	1,853	35	102	265	2,255
2004	1,638	37	136	194	2,005
2003	2,344	46	317	158	2,865
2002	877	38	116	118	1,149
2001	1,017	45	106	96	1,264
2000	808	43	86	129	1,066
1999	729	40	77	135	981
1998	1,741	21	293	123	2,178

* New regular pensions do not include pensions continued to a beneficiary upon the death of a retired member.

† Includes members on long-term disability who became eligible for a regular pension.

Transfers from the Members of the Legislative Assembly Superannuation Account (LASA)

$ Thousands

Year Ended March 31	Present Value of Pensions Transferred	Inflation Adjustment Contributions Transferred
2007	-	-
2006	708	89
2005	1,287	138
2004	687	214
2003	–	1
2002	12,964	9
2001	222	42
2000	559	56
1999	188	60
1998	–	25

When a Member of the Legislative Assembly receives a pension for service prior to June 19, 1996, the present value of the pension is transferred from the LASA to the Public Service Pension Plan, which pays the monthly benefit.

Average Values of New Regular Pensions—April 1, 2006 to March 31, 2007

Subdivided by years of service

Years of* Service	Number of New Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	100	$ 51,000	$ 6,300	$ 80,000	$ 8.0
10–14	121	53,000	13,400	175,000	21.1
15–19	183	52,000	17,700	242,000	44.3
20–24	136	56,000	24,600	340,000	46.3
25–29	283	57,000	29,800	447,000	126.4
30–34	348	59,000	37,200	583,000	202.8
35 years	109	58,000	39,100	618,000	67.3
Total	**1,280**	**n/a**	**n/a**	**n/a**	**$516.2**
Average of all Pensions	n/a	$56,000	$26,900	$394,000	n/a

* Years of service includes service transferred from other plans.

New Regular Pensions—By Age at Retirement Normal Retirement, Age 60*

Subdivided by years of service and age at retirement

Years of Service	50	51–54	55–59	>60	Total
<10 years	–	–	1	2	3
10–14	–	2	–	–	2
15–19	–	2	2	3	7
20–24	2	1	1	2	6
25–29	1	–	3	1	5
30–34	–	12	8	1	21
35 years	–	–	2	–	2
Total	**3**	**17**	**17**	**9**	**46**
Average years	**24**	**27**	**28**	**18**	**25**
Average age					**56**

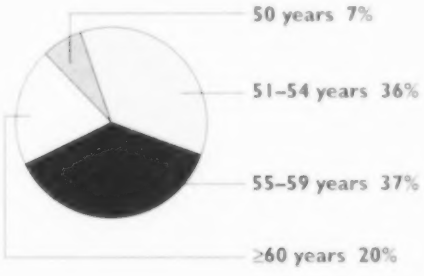
* Retirement at age 60 is provided for corrections officers and emergency health employees

New Regular Pensions—By Age at Retirement
Normal Retirement, Age 65

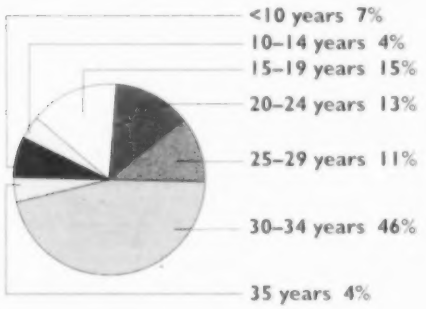
Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	65	Total
<10 years	7	30	36	24	97
10–14	19	27	52	21	119
15–19	20	51	73	32	176
20–24	19	34	62	15	130
25–29	65	132	67	14	278
30–34	151	110	53	13	327
35 years	48	36	20	3	107
Total	**329**	**420**	**363**	**122**	**1,234**
Average years	**28**	**24**	**20**	**17**	**23**
Average age					**58**

Percentage of New Regular Pensions
by Age—Normal Retirement Age 60*

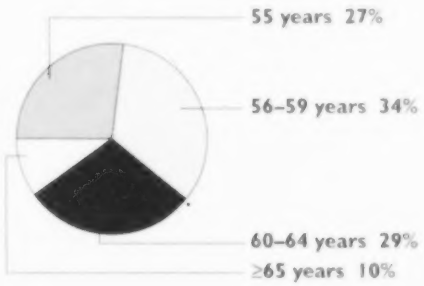


Percentage of New Regular Pensions
by Years of Service—Normal Retirement Age 60*

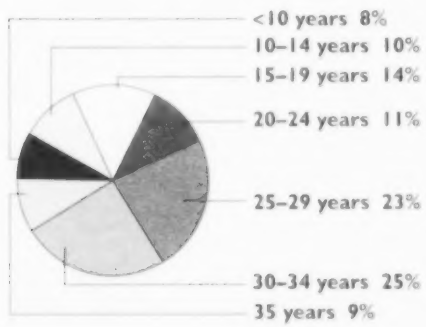


*Retirement at age 60 is provided for corrections officers and emergency health employees

Percentage of New Regular Pensions
by Age—Normal Retirement Age 65



Percentage of New Regular Pensions
by Years of Service—Normal Retirement Age 65



Termination and Refund Benefits

A terminating member who is eligible for a pension, but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or a similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in the pension plan in anticipation of future entitlements.

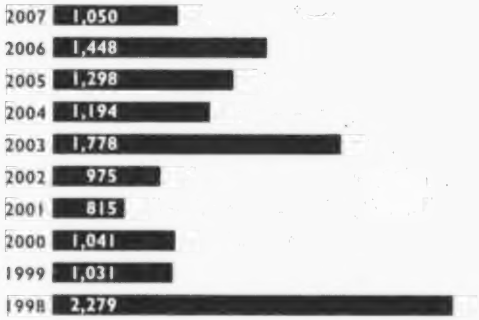
If a member is under 60 with less than two years of service, they may also choose a refund of contributions with interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is shown on the annual *Member's Benefit Statement*. The rate of interest is governed by the applicable pension legislation and is based on average five-year bank personal term deposit rates. The number and value of termination benefits paid from the plan can vary from year to year, depending on the employment environment, the type of benefits paid, and the members' entitlements. In 2007, the number and value of termination benefits paid decreased compared to 2006.

Annual Rates for Interest Credited to Contribution Balances

- Effective April 1, 2006 to March 31, 2007 – 2.93%
- Effective April 1, 2005 to March 31, 2006 – 2.47%

Number of Termination and Refund Benefits Paid

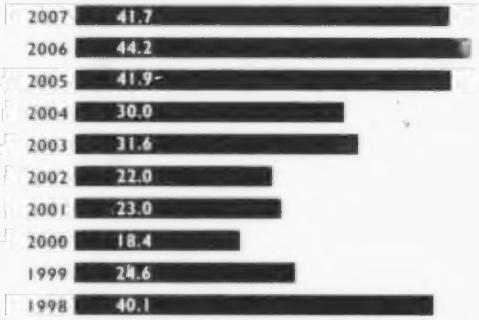
year ended March 31



Value of Termination and Refund Benefits Paid

year ended March 31

$Millions



Termination benefits paid include refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

Transferring Service

Transfer agreements allow pension plan members to carry pension rights from one plan to another. Members may carry their years of pensionable service to a new plan, at a different place of employment, if the new plan has an agreement with the Public Service Pension Plan. In order to transfer service, the member must have left their contributions on deposit, or reinstated service. Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits between the two plans. Members of the plan who have made contributions to another pension plan may want to inquire about transfer agreements.

Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits between the two plans.

Under the BC Public Sector Pension Transfer Agreement of April 1, 2004, transfers can be made between the Public Service Pension Plan (PSPP) and the College, Municipal, and Teachers' pension plans and other signatories. The PSPP also participates in the National Public Service Pension Transfer Agreement, which allows transfers between a number of provincial public service pension plans in Canada.

There were 460 reciprocal transfers-in from other pension plans and 592 transfers-out. The transfers-in totalled $23.9 million; transfers-out totalled $40.0 million.

Purchase of Additional Service

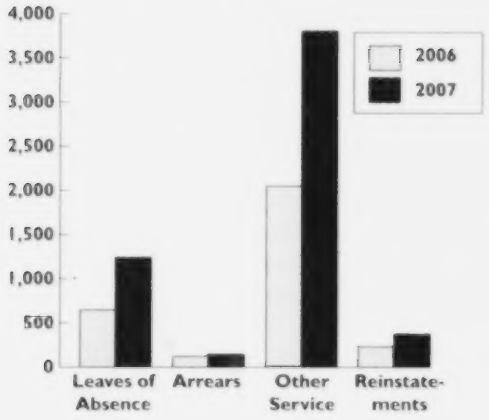
Members of the plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. This service may include:

- leaves of absence (maternity, parental, or other leave)
- arrears contributions (not enrolled but eligible to buy back missed contributions)
- other service (employment service before becoming a regular contributor), or
- reinstatements (contributions previously refunded from the plan).

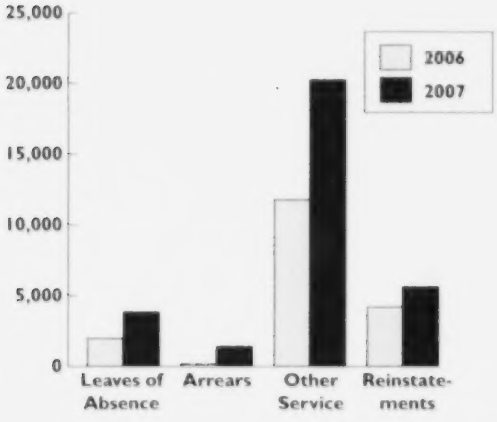
Purchase of service rules changed on April 1, 2002. Members were required to apply to purchase historical periods of service by March 31, 2007. Beginning April 1, 2007, members may only purchase periods of service that occurred during the previous five years, provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs, is available on the plan website at **pspp.pensionsbc.ca**.

The number of purchases of additional service increased 82% from 2006. The value of the purchases increased 71%.

Number of Purchases



Value of Purchases
$ Thousands



Investments

Market Review for the year ended March 31, 2007

One of the most important fiduciary responsibilities of the trustees is overseeing the investment of approximately $17.7 billion in assets on behalf of the plan members. Generating strong long-term investment results is the key to mitigating the costs of meeting the plan's payment obligations. Accordingly, the board of trustees' investment goal is to achieve consistent long-term returns through disciplined management and prudent decision-making. Diversification is a key principle of our investment policy, as the plan has holdings across a range of asset types (bonds, equities, real estate), industries, and global markets.

The board reviews its *Statement of Investment Policies and Procedures* (SIPP) annually, approves asset class ranges and targets, and oversees the management of those assets by the board's investment manager, the British Columbia Investment Management Corporation (bcIMC).

Global economic growth reached an estimated 5.4% in 2006, its fourth consecutive year of strong growth. Growth was more balanced, with North America slowing slightly, Europe staging a recovery and emerging economies continuing to increase their share of global output. Th s 'diversification' of global growth is positive for the world economy, as it reduces dependence on the large developed economies such as the United States.

Although financial markets remained somewhat unconcerned about market risks, central banks began sounding alarms about inflation accelerating, due to concerns about energy and commodity price rises. Most commodity prices continued to rise early in the year, driven by a combination of rapid growth in demand and limited new supplies coming on-stream. However, U.S. growth began to slow in the second half of the year and this helped reduce inflationary fears.

Short-term interest rates continued to rise during 2006-07 as central banks sought to normalize monetary conditions. This reflected their concern that commodity and asset-price inflation might spill over into the rest of the economy. Long-term interest rates changed little from the beginning to the end of the year, resulting in very narrow differentials between short- and long-term rates. For the year, fixed income investment returns realized by the pension fund ranged from 4.3% on money market funds to 6.3% on long-term bonds. Longer-term interest rates have been rising in 2007, suggesting that returns will be lower going forward.

The favourable global economic conditions kept corporate profits strong and growing during the year. In the United States and Canada, profits were at all-time highs as a share of national income. Despite the appreciation of the euro, European profits also grew strongly as firms cut costs and sought cheaper production platforms in eastern Europe. In Japan, profits rose as well as years of cost-cutting began to pay off, even with only marginal improvements in the macro-economic picture.

As a result, most major equity markets performed well in 2006-07, despite experiencing a sharp but brief correction in May and June. Returns on bcIMC's Canadian equity funds ranged from 5.3% to 14.5%. Canadian equity markets continued to be dominated by three sectors: financials, energy and materials, which accounted for about 75% of market capitalization.

Returns on bcIMC's U.S. equity funds ranged from 7.8% to 14.2%. Utilities and telecoms produced the highest sector returns, while health care and technology lagged. Value stocks outperformed growth stocks. The Canadian dollar appreciated 1.2% against the U.S. dollar, and currency hedging produced gains of $5.3 million for the fund.

Returns on bcIMC non-North American equity funds ranged from 7.3% in Asia to 25% in Europe. Real estate investments continued to perform strongly, posting returns of 21% for the year.

Overall, the plan's Basic Account produced an annual return of 12.1% in 2006-07, exceeding the benchmark return of 10.2%. Over the last five years, the average annual return of the Basic Account was 9.1%, compared to the benchmark of 8.3%. This added value can be attributed to tactical decisions made by bcIMC, within the investment policy parameters set by the board.

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the Basic Account Investment Asset Mix and Performance table below. Short-term, for asset mix purposes, includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance

For the year ended March 31, 2007

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark*(%)
Fixed Income	**25–45**			
Short-term	0–10	2.8	4.5	4.2
Mortgages	0–10	3.8	6.4	5.5
Bonds	17–28	19.2	5.8	5.7
Real Return Bonds	0–10	4.2	0.6	0.0
Equity	**55–75**			
Canadian Equities	15–25	16.1	12.8	14.2
U.S. Equities	10–20	16.4	10.1	10.1
International Equities	10–20	20.4	17.9	18.7
Real Estate	8–15	12.7	21.0	6.3
Private Placements	0–10	4.4	**	**

* Benchmarks are standards to compare against actual investment returns.

** Private placement performance is measured over the lifecycle of individual investments and therefore a single annual rate of return for a pool is not appropriate.

Investment Portfolio

Investments consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly, based on the fair market value of the underlying assets. In the table below, all investments are pooled, except real return bonds, which are directly held.

For further information on the investment portfolio, visit the British Columbia Investment Management Corporation website at www.bcimc.com

Investments Held as at March 31, 2007

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	98,791	0.6
Bonds (1–5 years)	438,839	2.5
	537,630	**3.1**
Bonds		
Canadian Bond Universe	2,662,960	15.1
Long-term	674,906	3.8
Real Return Bonds	725,266	4.1
	4,063,133	**23.0**
Canadian Equities		
Indexed	1,502,023	8.5
Actively Managed	1,342,730	7.6
	2,844,753	**16.1**
U.S. Equities		
Indexed	2,008,385	11.4
Actively Managed	879,327	5.0
	2,887,712	**16.4**
International Equities		
Asia	554,988	3.1
Europe	1,028,817	5.8
Europe, Australia and the Far East	1,987,345	11.3
	3,571,150	**20.2**
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	2,230,777	12.6
Mortgages	673,528	3.8
Private Placements	815,162	4.6
Foreign Currency	34,396	0.2
	3,753,863	**21.2**
Total Investments	**17,658,241**	**100.0**
2006 Comparison	**15,911,151**	

Investments Held as at March 31, 2007

Top Ten Holdings

(Underlying investments are in pooled portfolios.)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total Canadian Equities
Royal Bank of Canada	$ 139,420	4.9
Manulife Financial	125,037	4.4
Suncor Energy Inc	118,021	4.1
Bank of Nova Scotia	111,164	3.9
Toronto Dominion Bank	103,362	3.6
Encana Corporation	101,594	3.6
Power Corp of Canada	75,180	2.6
Bank of Montreal	67,906	2.4
Canadian Imperial Bank of Commerce	66,776	2.3
Canadian Natural Resources	62,098	2.2
Total Top Ten	**$970,558**	**34.0**
Total Canadian Equities	**$2,844,753**	**100.0**

U.S. Equities

Company	Market Value ($ Thousands)	% of Total U.S. Equities
General Electric	$ 73,437	2.5
Exxon Mobil Corp	70,747	2.4
Citigroup Inc	59,570	2.1
AT&T Incorporated	56,685	2.0
Bank of America	53,423	1.9
Microsoft Corporation	52,264	1.8
JP Morgan Chase	40,363	1.4
Proctor & Gamble	38,407	1.3
Altria Group Incorporated	36,113	1.3
Pfizer Incorporated	34,528	1.3
Total Top Ten	**$515,537**	**18.0**
Total U.S. Equities	**$2,887,712**	**100.0**

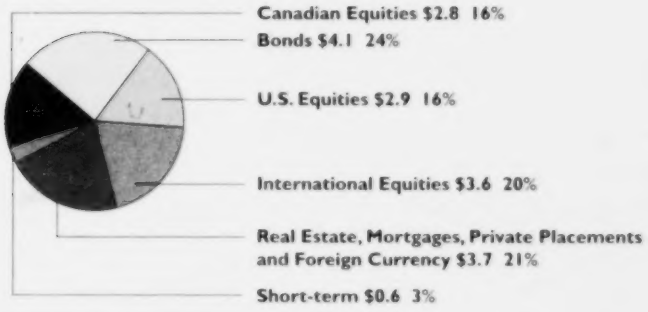
International Equities

Company	Market Value ($ Thousands)	% of Total International Equities
Total	$ 52,232	1.5
Royal Dutch Shell	46,382	1.3
HSBC Holdings	42,522	1.2
ENI	40,919	1.1
Nestle SA	38,756	1.1
BP PLC	38,536	1.1
Vodafone Group	35,611	1.0
Roche Holdings AG	35,482	1.0
GlaxoSmithKline	35,322	1.0
Novartis AG	33,771	0.9
Total Top Ten	**$399,533**	**11.2**
Total International Equities	**$3,571,150**	**100.0**

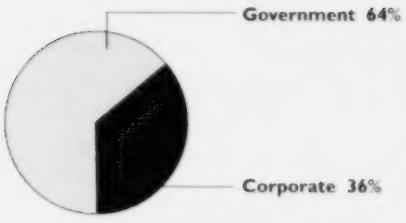
Investments Held as at March 31, 2007

Investment Holdings (Market Value)

$ Billions

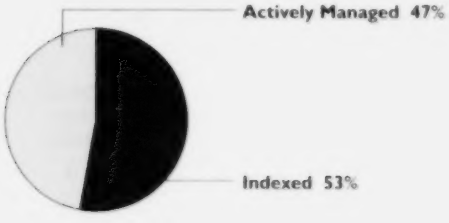

Canadian Equities $2.8 16%
Bonds $4.1 24%
U.S. Equities $2.9 16%
International Equities $3.6 20%
Real Estate, Mortgages, Private Placements and Foreign Currency $3.7 21%
Short-term $0.6 3%

Bonds (Market Value)



US Equities (Market Value)

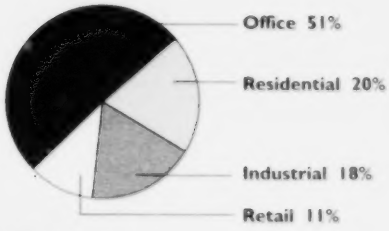
Canadian Equities, (Market Value)



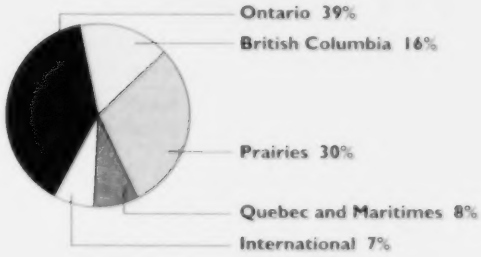
Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite)

Actively Managed: A portfolio of securities that is designed to outperform a public market index

Domestic Real Estate, by Type



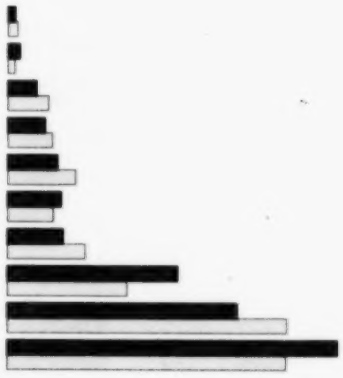
Real Estate, by Location



Investments Held as at March 31, 2007

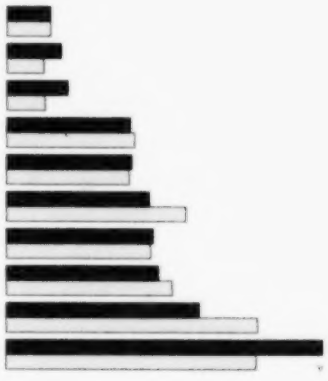
Canadian Equities, by Sector (%)

	Indexed	Actively Managed
Health Care	0.7	1.0
Utilities	1.2	0.7
Consumer Staples	2.9	4.2
Information Technology	3.8	4.6
Consumer Discretionary	5.1	7.0
Telecommunication Services	5.5	4.7
Industrial Products	5.7	8.0
Materials	17.5	12.3
Energy	23.6	28.8
Financial Services	34.0	28.7
	100.0	100.0



U.S. Equities, by Sector (%)

	Indexed	Actively Managed
Materials	3.2	3.2
Utilities	4.0	2.7
Telecommunication Services	4.5	2.8
Energy	9.1	9.4
Consumer Staples	9.2	9.0
Consumer Discretionary	10.5	13.2
Industrial Products	10.8	10.6
Health Care	11.2	12.2
Information Technology	14.2	18.5
Financial Services	23.3	18.4
	100.0	100.0

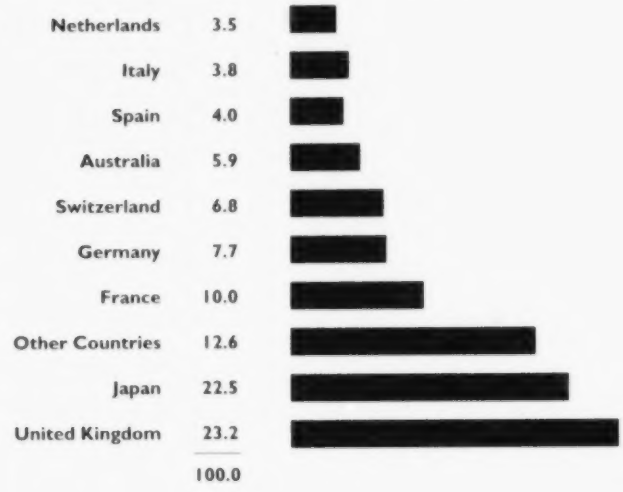


Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite)

Actively Managed: A portfolio of securities that is designed to outperform a public market index

Investments Held as at March 31, 2007

International Equities, by Country (%)



Investment Performance

Market Value Rates of Return

Year ended March 31	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Annual Rates				
2007	**12.1**	**12.4**	**10.2**	
2006	15.3	15.9	13.4	
2005	8.1	8.5	7.1	
2004	21.4	23.2	24.1	
2003	-8.9	-8.0	-10.2	
Five-year Annualized Rates**				
2007	**9.1**	**9.9**	**8.3**	
2006	7.4	8.1	7.1	
Ten-year Annualized Rates				
2007	**8.8**	**9.1**	**8.5**	
2006	8.9	9.3	8.7	
2007 Annual Rates by Investment Category				**Basic Account Performance Benchmarks***
Short-term				
Money Market	4.3	4.3	4.2	SCI 91-Day T-Bill
Bonds	4.4	4.4	4.4	SCI Short-term Government Bond
Bonds				
Universe	5.6	5.6	5.5	SCI Universe Bond
Long-term	6.3	6.3	6.3	SCI Government Long-term Bond
Real Return	0.6	0.3	0.0	SCI Real Return Bond
Canadian Equities				
Actively Managed	11.5	11.5	14.2	S&P/TSX Equity
Indexed	14.5	14.5	14.2	S&P/TSX Equity
Enhanced	13.1	13.1	14.2	S&P/TSX Capped Equity
U.S. Equities				
Actively Managed	7.8	7.8	10.5	R 1000
Indexed	10.5	10.5	10.5	S&P 500
Enhanced	9.8	9.8	10.5	R 1000/S&P 500
Value	14.2	14.2	14.2	S&P/Citigroup Value
International Equities				
Asia	7.3	7.3	8.7	MSCI Pacific Net
Europe	24.6	24.6	24.0	MSCI Europe Net
Europe, Australia and the Far East	18.0	18.1	18.9	MSCI Europe, Australasia, Far East Net
Real Estate	21.0	21.0	6.3	CPI + 4%
Mortgages				
Fixed-term	6.1	6.1	5.6	SCI Short-term Bond + 1%
Construction	7.5	7.5	5.1	SCI One-year T-Bill + 1%
Specialty	7.2	7.0	6.6	SCI One-year T-Bill + 2.5%

* Benchmarks are standards to compare against actual investment returns.

** An annualized rate means the rate for a five or ten year period converted into the equivalent annual rate.
The five-year annualized rate of the Basic Account is the net earned rate of the fund.

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
MSCI	=	Morgan Stanley Capital International
R	=	Russell
SCI	=	Scotia Capital Inc.
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Financial Health

The Public Service Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years, an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates for funding the plan. The actuarial valuation as at March 31, 2005 indicated an unfunded liability for basic pension benefits of $767 million. As a result, the actuary determined that an increase in contribution rates of 1.88% of salary each, for plan members and employers, was necessary in order for the plan to maintain its long term financial soundness, and thus its ability to meet the pension promise made to plan members. (See page 13.)

An unfunded liability means there is a shortfall between the amount needed to fund basic benefits and the assets available to pay for those benefits, whereas a surplus means there are more than enough funds to meet the basic benefits.

The next valuation will be as at March 31, 2008.

Latest Actuarial Valuation as at March 31, 2005

$ Millions

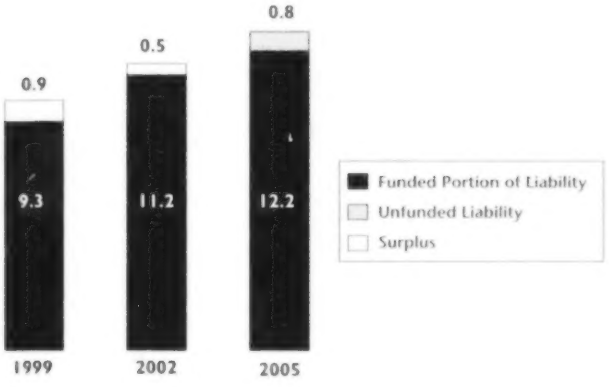
	Basic Pension Benefits Net Surplus (Unfunded Liability)		
	2005	**2002**	**1999**
For Funding Purposes*	(767)	546	929
Ratio of Surplus (Unfunded Liability) to Covered Payroll	(32) %	23%	41%
For Accounting Purposes to March 31	439	1,651	1,086

* Assuming contributions continue at rates in effect at the valuation date.

* See Note 7 and 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability as at March 31

$ Billions



Audit Committee

The mandate of the Audit Committee is to act on behalf of, and to assist the board, to provide for:

- a timely and cost-effective system of accounting and reporting
- financial statements conforming with generally accepted accounting principles
- an independent audit of the financial statements
- an annual report with audited financial statements

The committee will accomplish its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls, and compliance
- monitoring and reporting on the independence and performance of the external auditors
- monitoring and reporting on risk management as it affects financial reporting
- recommending the selection and compensation of external auditors
- addressing any matter referred to the committee by one or more of the four boards.

Membership on the committee includes two nominees from each of the boards of the College, Municipal, Public Service, and Teachers' Pension Plans. All nominees must be ratified by all the boards. The committee must include at least two trustees who understand accounting principles (GAAP), internal controls, and audit committee functions. The committee must meet at least three times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

Five-year Financial Summary

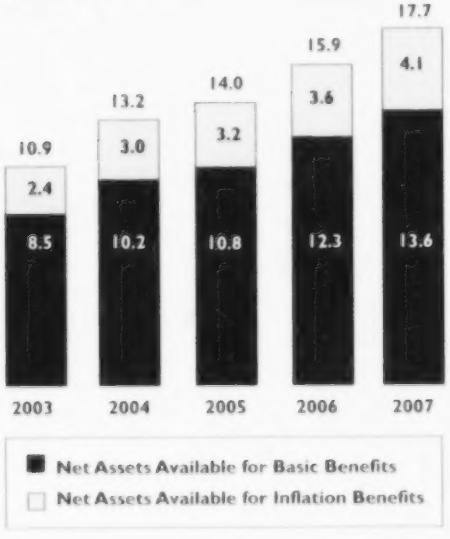
$ Thousands For the year ended March 31	2007	2006	2005	2004	2003
Increase (Decrease) in Assets					
Investment Income (Loss)	**$1,933,382**	$2,166,115	$1,079,447	$2,384,406	$(1,040,412)
Contributions					
Employers	**251,042**	187,611	191,641	196,982	190,320
Members	**218,432**	157,243	148,010	163,154	147,465
Transfers from Other Plans	**23,869**	16,931	33,493	29,713	18,235
Total Increase (Decrease) in Assets	**2,426,725**	2,527,900	1,452,591	2,774,255	(684,392)
Decrease in Assets					
Pension Benefits	**517,162**	483,723	450,951	406,007	365,429
Termination and Refund Benefits	**41,675**	44,162	41,858	30,049	31,607
Transfers to Other Plans	**40,046**	55,010	41,451	44,452	44,806
Retired Member Group Benefits	**33,419**	31,635	29,268	26,436	46,660
Investment and Administration Costs	**27,502**	25,893	23,433	23,828	21,651
Total Decrease in Assets	**659,804**	640,423	586,961	530,772	510,153
Increase (Decrease) in Net Assets	**1,766,921**	1,887,477	865,630	2,243,483	(1,194,545)
Net Assets Available for Benefits at Beginning of Year	**15,917,850**	14,030,373	13,164,743	10,921,260	12,115,805
Net Assets Available for Benefits at End of Year	**$17,684,771**	$15,917,850	$14,030,373	$13,164,743	$10,921,260

Investment and Administration Costs*		**As a Percentage of Net Assets**			
Investment Management*	**0.18%**	0.19%	0.15%	0.14%	0.16%
Benefit Administration	**0.05%**	0.06%	0.06%	0.07%	0.09%

* Investment management percentages include $13.6 million in additional costs incurred by corporations wholly owned by the pooled funds. (2006—$14.3 million; 2005—$6.1 million; 2004—$4.5 million; 2003—$5.0 million)

Net Assets Available for Benefits as at March 31

$ Billions



Financial Statements

PENSION
CORPORATION

Executive
Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
7995 Jutland Road
Victoria BC
V8T 5J9

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250 387-8200
1 800 663-8823
Fax:
250 953-0429

PUBLIC SERVICE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Public Service Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the Public Service Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Pension Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Public Service Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

RON MILLARD, FCGA
Director, Finance
British Columbia Pension Corporation

SANDRA LENZ, CA
Chief Financial Officer
British Columbia Pension Corporation

July 13, 2007

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Public Service Pension Plan

We have audited the statement of net assets available for benefits of the Public Service Pension Plan as at March 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2007 and the results of its operations and changes therein for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada
July 13, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

Public Service Pension Plan

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at March 31	2007	2006
ASSETS		
Investments (Note 3)	$ 17,658,241	$ 15,911,151
Receivables		
Members' contributions	8,115	5,782
Employers' contributions	10,571	8,002
Accrued investment income	7,501	7,412
Due from sale of investments	434,643	7,008
	460,830	28,204
Prepaid expenses	1,518	1,742
Cash	1,408	754
Total Assets	$ 18,121,997	$ 15,941,851
LIABILITIES		
Payable for purchase of investments	420,646	10,505
Accounts payable and accrued expenses	16,580	13,496
Total Liabilities	437,226	24,001
NET ASSETS AVAILABLE FOR BENEFITS	$ 17,684,771	$ 15,917,850

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

John W. Cook, FCIA
Chair, Public Service Pension Board of Trustees

Bruce Clow
Trustee,
Public Service Pension Board of Trustees

David Vipond
Trustee,
Public Service Pension Board of Trustees

Public Service Pension Plan

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	2007	2006
INCREASE IN ASSETS					
Investment income (Note 4)	$ 1,479,400	$ 453,982	$	$ 1,933,382	$ 2,166,115
Contributions (Note 5)					
Employers'					
Province of British Columbia	105,195	20,449	22,639	148,283	109,946
Other	74,186	14,745	13,828	102,759	77,665
	179,381	35,194	36,467	251,042	187,611
Members'	176,142	41,456	834	218,432	157,243
	355,523	76,650	37,301	469,474	344,854
Transfers from other plans	17,402	6,321	146	23,869	16,134
Transfers from MLA Superannuation Account (Note 9)					797
Total Increase in Assets	1,852,325	536,953	37,447	2,426,725	2,527,900
DECREASE IN ASSETS					
Pension benefits					
Contributory	418,780		3,161	421,951	397,054
Indexing supplements	94,996		215	95,211	86,669
	513,786		3,376	517,162	483,723
Termination benefits and refund benefits	23,228	18,340	107	41,675	44,162
Transfers to other plans	28,986	11,034	26	40,046	35,010
Retired member group benefits (Note 10)			33,419	33,419	31,635
Investment and Administration costs (Note 9)	22,721	4,262	519	27,502	25,893
Total Decrease in Assets	588,721	33,636	37,447	659,804	640,423
INCREASE IN NET ASSETS BEFORE TRANSFERS	1,263,604	503,317		1,766,921	1,887,477
Account transfers (Note 6)	37,201	(37,201)			
INCREASE IN NET ASSETS	1,300,805	466,116		1,766,921	1,887,477
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	12,272,362	3,645,488		15,917,850	14,030,373
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 13,573,167	$ 4,111,604	$	$ 17,684,771	$ 15,917,850

Supplemental Benefits Account (Note 10)

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN

The Public Service Pension Plan (Plan) is a jointly trusteed pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established on January 1, 2001. The partners to the Agreement are the Province of B.C. and the B.C. Government and Service Employees' Union (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Public Service Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Joint Trust Agreement and the Plan rules.

a) General

The Plan is open to eligible employees of the Province of B.C. and certain crown corporations, agencies, institutions and other employers approved by the Board.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to fifteen members. The Partners and key stakeholders appoint fourteen members representing Plan members and Plan employers. The other trustees appoint the fifteenth member, the chair. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

c) Contributions

Basic Account
Members contribute to the Basic Account 6.13% (4.25% to March 31, 2006) of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($42,100 in 2006) and 7.63% (5.75% to March 31, 2006) of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7a and 10).

Employer contributions to the Basic Account match those for members except for certain limited groups (e.g. correctional centre employees, ambulance employees, provincial court judges, masters of the Supreme Court, and some deputy ministers and officers of the Legislature) where employers pay a higher rate to compensate for the additional cost of their benefits, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7a and 10).

Inflation Adjustment Account
Members contribute 1.50% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 2.50% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least 2 years contributory service (age 55 for certain groups);
- at age 55 or older, where age plus years of service equals 85 or more; or
- at age 50 or older, where age plus years of service equals 85 or more for certain groups.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.35% (1.3% for members who terminated prior to March 1, 2002) of pensionable earnings up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five-year highest average salary (HAS).

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.65% (0.7% for members who terminated prior to March 1, 2002) of the lesser of the YMPE or the HAS.

Certain limited groups of members (eg. provincial court judges, masters of the Supreme Court, and some deputy ministers and officers of the Legislature) receive different benefits.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b).

At January 1, 2007, retired members received a full CPI increase of 0.7% (2006: 3.4%).

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements. A terminating member who is not eligible to receive a pension may also choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

g) Income Taxes

The Plan is a Registered Pension Plan (RPP), as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan. It does not purport to show whether these assets are adequate to meet all of the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from these estimates.

3. INVESTMENTS (FAIR VALUE)

	2007			2006
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 379,553	$ 158,077	$ 537,630	$ 361,213
Canadian Bonds	3,156,895	906,238	4,063,133	4,116,593
Canadian Equities	2,185,415	659,338	2,844,753	3,535,066
U.S. Equities	2,220,010	667,702	2,887,712	2,333,343
International Equities	2,760,108	811,042	3,571,150	2,769,513
Foreign Currency	26,396	8,000	34,396	28,861
Mortgages	517,418	156,110	673,528	573,334
Real Estate	1,713,517	517,260	2,230,777	1,751,713
Private Placements	590,755	224,407	815,162	441,515
	$ 13,550,067	$ 4,108,174	$ 17,658,241	$ 15,911,151

3. INVESTMENTS (FAIR VALUE) (continued)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less, and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bcIMC's external real estate investment managers and, at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

The Plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

Basic Account Canadian bonds of $13.2 million (2006: $13.5 million) are being held in a collateral account for a future investment opportunity (Note 11).

4. INVESTMENT INCOME

	2007			2006
	Income Allocation	Current Period Change In Fair Value	Total	Total
	($ Thousands)			
Basic Account				
Short-term	$ 18,793	$ 2,214	$ 21,007	$ 2,791
Canadian Bonds	144,228	15,367	159,595	201,855
Canadian Equities	44,296	242,394	286,690	568,601
U.S. Equities	46,870	130,948	177,818	222,935
International Equities	56,599	317,933	374,532	374,562
Foreign Currency	1,020	4,070	5,090	(1,364)
Mortgages	23,962	7,176	31,138	25,412
Real Estate	27,518	306,220	333,738	235,693
Private Placements	3,506	86,286	89,792	20,101
	$ 366,792	$ 1,112,608	$ 1,479,400	$ 1,650,526
Inflation Adjustment Account				
Short-term	$ 6,467	$ 679	$ 7,146	$ 1,425
Canadian Bonds	41,701	3,592	45,293	62,683
Canadian Equities	13,261	73,197	86,458	180,414
U.S. Equities	13,888	39,939	53,827	58,986
International Equities	16,780	95,638	112,418	113,823
Foreign Currency	311	1,249	1,560	(424)
Mortgages	7,014	2,109	9,123	7,316
Real Estate	7,319	91,934	99,253	72,921
Private Placements	5,331	33,573	38,904	18,445
	$ 112,072	$ 341,910	$ 453,982	$ 515,589
Total Investment Income	$ 478,864	$ 1,454,518	$ 1,933,382	$ 2,166,115

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

5. CONTRIBUTIONS

	2007				2006
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)		
Employers' contributions					
Province of British Columbia					
Regular	$ 97,120	$ 17,297	$ 2,899	$ 117,316	$ 82,577
ERIP Contributions	2	-	-	2	1,189
Arrears	576	257	-	833	41
Purchase of service	4,998	2,365	-	7,363	4,178
Leave of absence	963	500	-	1,463	842
Reinstatement	1,536	30	-	1,566	1,132
Retired member group benefits	-	-	19,740	19,740	19,987
	$ 105,195	$ 20,449	$ 22,639	$ 148,283	$ 109,946
Other employers					
Regular	$ 71,205	$ 13,184	$ 149	$ 84,538	$ 63,502
ERIP Contributions	21	8	-	29	177
Arrears	140	62	-	202	50
Purchase of service	2,439	1,292	-	3,731	2,014
Leave of absence	381	199	-	580	274
Retired member group benefits	-	-	13,679	13,679	11,648
	$ 74,186	$ 14,745	$ 13,828	$ 102,759	$ 77,665
Total Employers'	$ 179,381	$ 35,194	$ 36,467	$ 251,042	$ 187,611
Members' contributions					
Regular	$ 164,265	$ 38,285	$ 622	$ 203,172	$ 147,663
Arrears	266	70	-	336	55
Purchase of service	6,768	2,159	212	9,139	5,591
Leave of absence	1,347	420	-	1,767	861
Reinstatement	3,496	522	-	4,018	3,073
Total Members'	$ 176,142	$ 41,456	$ 834	$ 218,432	$ 157,243
Total Contributions	$ 355,523	$ 76,650	$ 37,301	$ 469,474	$ 344,854

Member and employer contributions are as defined under the Plan rules.

6. ACCOUNT TRANSFERS

	2007		2006	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$ 32,098	$ (32,098)	$ 145,409	$ (145,409)
Indexing of deferred pensions	5,103	(5,103)	4,255	(4,255)
Excess interest	-	-	-	-
	$ 37,201	$ (37,201)	$ 149,664	$ (149,664)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended March 31, 2003 through 2007. Excess interest is based on investment income earned on Basic Account assets required for pensions currently being paid, approximately $4.8 billion of assets for 2007 (2006: $4.5 billion). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (9.1%) and the rate of return used by the actuary (6.75%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2007 was 2.35% (2006: 0.65%) resulting in a positive excess interest amount of $113.7 million (2006: $29.5 million). The cumulative negative excess interest amount of $308.5 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

	2007	2006
	($ Millions)	
Cumulative negative excess interest, beginning of year	$ (387.0)	$ (387.8)
Interest applied to beginning of year amount	(35.2)	(28.7)
Excess interest	113.7	29.5
Cumulative negative excess interest, end of year	$ (308.5)	$ (387.0)

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The most recent full actuarial valuation for funding purposes was prepared as at March 31, 2005. This valuation disclosed an unfunded actuarial liability (UAL) for basic account pension benefits of $767 million (2002: $546 million surplus), assuming future contributions at the contribution rates in effect at the valuation date. The following long-term actuarial assumptions were used:

- annual investment return 6.75% (2002: 7.30%)
- annual salary escalation rate 4.00% (2002: 4.80%)

The next full actuarial valuation will be at March 31, 2008, for inclusion in the March 31, 2009 financial statements.

The Joint Trust Agreement (Agreement) specifies that, if an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The agreement also describes the manner in which the Board can elect to apply surplus assets.

Based on the results of the 2005 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper financing. Therefore, the trustees decided that, effective April 1, 2006 member and employer contribution rates would each be increased by 1.88% of salaries, as recommended by the actuary (Note 1c).

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account (IAA) (continued)

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, when the IAA assets may cease to grow and therefore, when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions, and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for, as yet unknown, future indexing.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The latest full valuation was made as at March 31, 2005, by Eckler Ltd., the results were as follows:

As at March 31	2005	2002
	($ Millions)	
Net assets available for basic pension benefits	$ 10,787	$ 9,394
Five year market value smoothing adjustment	(429)	253
Net actuarial assets for basic pension benefits	10,358	9,647
Liability for accrued basic pension benefits	9,919	7,996
Actuarial Surplus	$ 439	$ 1,651

The next full actuarial valuation will be at March 31, 2008 for inclusion in the March 31, 2009 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to March 31, 2007, using the following long-term actuarial assumptions.

- annual investment return 6.75% (2002: 7.30%)
- annual salary escalation rate 4.00% (2002: 4.80%)

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

On this basis, the extrapolated value of the surplus at March 31 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits As at March 31	2007	2006
	($ Millions)	
Extrapolated actuarial assets, beginning of year	$ 10,896	$ 10,358
Account transfers	37	150
Current year contributions	359	242
Net transfers from (to) other plans	(11)	(27)
Pension, termination and refund benefits	(549)	(518)
Interest accrued on assets	729	691
Extrapolated actuarial assets, end of year	$ 11,461	$ 10,896

Extrapolated Actuarial Liability for Accrued Basic Pension Benefits As at March 31	2007	2006
	($ Millions)	
Extrapolated actuarial liability for accrued basic pension benefits, beginning of year	$ 10,545	$ 9,919
Account transfers	37	150
Current period benefit cost	382	355
Net transfers from (to) other plans	(11)	(27)
Pension, termination and refund benefits	(549)	(518)
Interest accrued on liability	706	666
Extrapolated actuarial liability for accrued basic pension benefits, end of year	$ 11,110	$ 10,545
Extrapolated Surplus, March 31	$ 351	$ 351
Fair value of Basic Account net assets available for benefits	$ 13,573	$ 12,272
Fair value changes not reflected in extrapolated actuarial value of net assets	$ (2,112)	$ (1,376)
Extrapolated actuarial value of net assets available for benefits	$ 11,461	$ 10,896

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly (MLA) Superannuation Account

	2007	2006
	($ Thousands)	
Present value of MLA pensions granted	$ —	$ 708
Present value transfer for indexing supplements		89
	$ —	$ 797

The Members of the Legislative Assembly Superannuation Account was established under Part 2 of the *Legislative Assembly Allowances and Pension Act* (Act). The Act was amended in July 1995 to discontinue the accrual of benefit entitlements after June 19, 1996.

As at March 31, 2007, nine members remain with eligibility for a benefit from the Superannuation Account.

When a Member of the Legislative Assembly (MLA) is granted a pension, the present value of the pension is transferred from the Members of the Legislative Assembly Superannuation Account to the Plan, from which monthly benefits are paid. During the year ended March 31, 2007 no MLA pensions were granted (2006 – four pensions were granted).

Effective April 1, 2007, Members of the Legislative Assembly will begin accruing benefits under the Public Service Pension Plan.

9. RELATED PARTY TRANSACTIONS (continued)

b) Investment and Administration Costs

	2007	2006
	($ Thousands)	
Investment Management	$ 18,714	$ 16,602
Benefit Administration	8,161	8,548
Board Remuneration and Expenses	230	188
Board Secretariat Costs	196	184
Other Professional Services	201	371
	$ 27,502	$ 25,893

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of $13.6 million (2006: $14.3 million) representing the external management costs incurred by wholly-owned corporations of the investment pooled funds are not included in the above amount.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $1.6 million (2006: $1.5 million) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage is contingent upon the availability of funding for such benefits.

10. SUPPLEMENTAL BENEFITS ACCOUNT (continued)

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 50% of the total of current member and employer inflation adjustment contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at March 31, 2007, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $725 million (2006: $663 million).

bcIMC has established a collateral account pledged as security for a future investment opportunity that will not be funded until 2009. As at March 31, 2007, $13.2 million of Basic Account Canadian bonds are being held as collateral for an investment commitment of $12.3 million.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximates their carrying values.

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of foreign currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign currency denominated investments and related derivative contracts. Foreign currency forward contracts are used to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

12. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

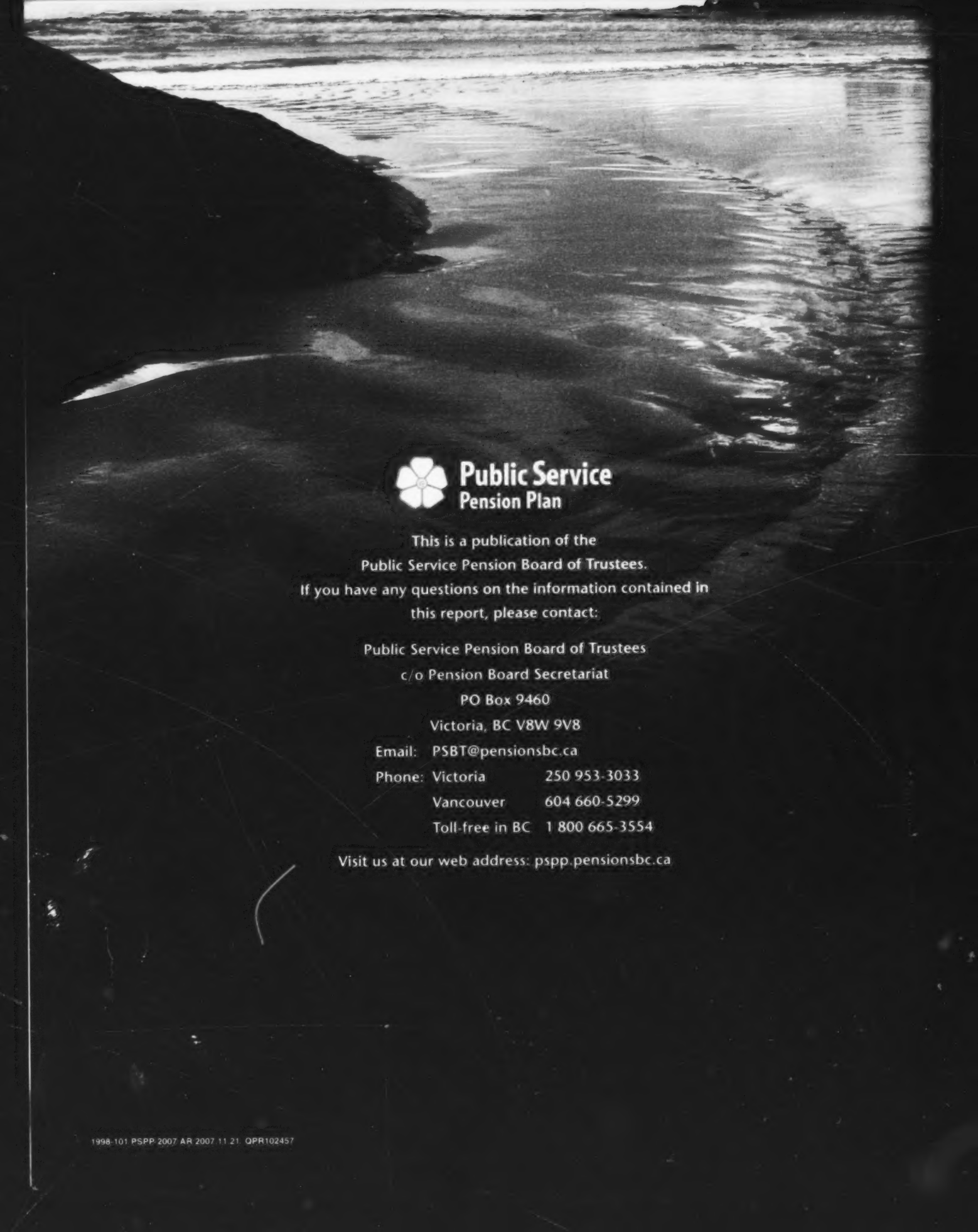
The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. Actuarial liabilities are affected by changes in long-term market interest rates.

Market Risk

The Board approves the long-term asset mix policy for investment assets and oversees the management of these assets through the Board's investment management agent, bcIMC. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk

The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.



Public Service Pension Plan

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